

**NEW JERSEY PUBLIC
BROADCASTING AUTHORITY**

Financial Statements

June 30, 2013

NEW JERSEY PUBLIC BROADCASTING AUTHORITY

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NEW JERSEY PUBLIC BROADCASTING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Overview of the Financial Statements

The management of the New Jersey Public Broadcasting Authority, (the "Authority"), has prepared this narrative overview and analysis of the financial activities for the year ended June 30, 2013, for the readers of these financial statements. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position.

Since the Authority is comprised of a single enterprise fund, no fund-level financial statements are shown. The Authority's operating budget is allocated by the State of New Jersey Department of Treasury and is not legally adopted, thus there are no budgetary schedules included.

The statement of net position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, an increase or decrease in net position may serve as a useful indicator of whether or not the financial position of the Authority is improving or deteriorating.

Net positions increase when revenues exceed expenses. An increase in liabilities without corresponding increases to assets results in a decrease to net position and a deteriorating financial position.

The statement of support, revenues and expenses, and changes in net position presents information showing how a government entity's net position changed during the fiscal year. Changes in net position are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (*e.g. earned but unused vacation leave or unearned revenue*). The financial statements also contain footnote disclosures including the Authority's "in-kind" revenue and expense.

As required, and in order to qualify for its community service grants, the Authority files an annual financial report ("AFR") with the Corporation for Public Broadcasting ("CPB") and an annual public broadcasting system station activity benchmark survey (SABS).

Financial Analysis

Net position may serve, over time, as a useful indicator of a agency's financial position. The Authority's assets exceeded liabilities by \$862,130 at the close of fiscal year 2013, a decrease of \$1,235,993 from the prior fiscal year.

Fiscal 2012 was a transitional year for the Authority. As the first year of operations under the new model, it included some trailing liabilities from the old operational model, as well as the consummation of the sale of the radio licenses that had been agreed to in Fiscal 2011. Fiscal 2013 represents a "new normal" for Authority operations and will be a better benchmark for comparisons going forward. It should be noted that the Authority's mission is limited to the operation of the statewide broadcast infrastructure and oversight of the "Programming and Services Agreement". As such, there is no anticipation of adding or expanding services, developing new revenue streams or engaging in activities that would significantly change the net position calculation in future periods.

NEW JERSEY PUBLIC BROADCASTING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Financial Analysis (Continued)

The largest portions of the Authority's assets reflect its investment in capital assets (*i.e. transmission towers related equipment, studio broadcasting equipment as required by the FCC as a licensee to retain the capability to originate broadcasts if necessary, and other items essential to the interconnection and monitoring of the broadcast signal,*) less accumulated depreciation. The Authority uses these assets to provide public broadcasting services, disseminate emergency broadcast information statewide as needed, and to liquidate current liabilities and for any other essential spending necessary to maintain transmission of the broadcast signal on a full time basis.

The Authority's investment in capital assets as of June 30, 2013, net of total accumulated depreciation equals \$1,896,841. This represents a decrease of \$734,312 from the prior fiscal year, attributable in part to Authority asset depreciation.

Of the Authority's \$1,108,734 in current liabilities, \$941,234 represents the Authority's accounts payable and accrued expenses, a decrease of \$311,269 from 2012 mainly due to the decrease in overall operating expenses resulting from the transition to the new operating model.

The following is the condensed statement of net assets as of June 30, 2013 and 2012:

Statement of Net Position

| | 2013 | 2012 |
|------------------------------------|---------------------|---------------------|
| Current and other assets | \$ 74,023 | \$ 719,472 |
| Capital assets | 1,896,841 | 2,631,153 |
| Total assets | <u>\$ 1,970,864</u> | <u>\$ 3,350,625</u> |
| Current liabilities | <u>\$ 1,108,734</u> | <u>\$ 1,252,502</u> |
| Net position | | |
| Investment in capital assets | 1,896,841 | 2,631,153 |
| Unrestricted | (1,034,711) | (533,030) |
| Total net position | <u>862,130</u> | <u>2,098,123</u> |
| Total liabilities and net position | <u>\$ 1,970,864</u> | <u>\$ 3,350,625</u> |

Current assets of \$74,023 decreased \$645,449 from the prior year due to the transfer of operations to Public Media NJ, Inc. ("PMNJ") (see Significant Events) and transfer of funds to the State of New Jersey.

The following is the condensed statement of support, revenues and expenses and changes in net position for the years ended June 30, 2013 and 2012.

Statement of support, revenues and expenses and changes in net position

| | 2013 | 2012 |
|--|--------------------|---------------------|
| Support and revenues | \$ 10,797,146 | \$ 12,007,942 |
| Expenses | <u>11,180,352</u> | <u>12,814,970</u> |
| Change in net position, before transfer to State of New Jersey | (383,206) | (807,028) |
| Transfer to the State of New Jersey | <u>852,787</u> | <u>2,032,318</u> |
| Change in net position, after transfer to State of New Jersey | <u>(1,235,993)</u> | <u>(2,839,346)</u> |
| Net position, beginning of year | <u>2,098,123</u> | <u>4,937,469</u> |
| Net position, end of year | <u>\$ 862,130</u> | <u>\$ 2,098,123</u> |

NEW JERSEY PUBLIC BROADCASTING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

Statement of support, revenues and expenses and changes in net position (Continued)

Support and revenues decreased \$1,210,796 and expenses decreased \$1,634,618 mainly due to the launch of a new operating model for public broadcasting in New Jersey, as described below under "Significant Events."

As a result of the Public Broadcasting Transfer Act of 2010, the Authority is "in but not of" the Department of the Treasury. Through a Memorandum of Understanding between Treasury and the Authority, Treasury provides staff support (currently 5 full time positions) and other support of just under \$2,000,000 for Authority operations. Other external revenue streams (*Corporation for Public Broadcasting Grants, license fees, tower rents, and cable waiver fees*) are received by the Authority and passed through to PMNJ under the terms of the Programming and Services Agreement (see Significant Events).

Significant Events

As of July 1, 2011, the Authority entered into a "Programming and Services Agreement" with PMNJ under which PMNJ assumed responsibility for all television programming, production, fundraising, promotion and general station operations. Many activities that were formerly the responsibility of the Authority have been taken over by PMNJ. The Authority continues to be the FCC licensee, and operates the broadcast transmitters and related infrastructure to support the statewide distribution of public media programming in New Jersey.

Requests for Information

This financial report is designed to provide a general overview of the New Jersey Public Broadcasting Authority's finances for those with an interest therein. Questions concerning any of the information presented in this report or requests for additional financial information should be addressed to the Executive Director of the New Jersey Public Broadcasting Authority, 25 South Stockton Street, Trenton, NJ 08608.

INDEPENDENT AUDITORS' REPORT

To the Board of
New Jersey Public Broadcasting Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of New Jersey Public Broadcasting Authority ("Authority"), a component unit of the State of New Jersey, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

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- NEW YORK SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
- PENNSYLVANIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibility (Continued)

expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of June 30, 2013 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages one through three be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information, the schedule of functional expenses for the year ended June 30, 2013, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of functional expenses for the year ended June 30, 2013 is the responsibility of management and was derived from and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of functional expenses for the year ended June 30, 2013, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Reporting by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Mercadien, P.C.
Certified Public Accountants

MERCADIEN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

December 18, 2013

NEW JERSEY PUBLIC BROADCASTING AUTHORITY

STATEMENT OF NET POSITION

June 30, 2013

ASSETS

| | |
|--------------------------|---------------------|
| Accounts receivable, net | \$ 74,023 |
| Capital assets, net | <u>1,896,841</u> |
| Total assets | <u>\$ 1,970,864</u> |

LIABILITIES AND NET POSITION

| | |
|---------------------------------------|---------------------|
| Liabilities | |
| Accounts payable and accrued expenses | \$ 941,234 |
| Unearned revenue | <u>167,500</u> |
| Total liabilities | <u>1,108,734</u> |
| Net Position | |
| Investment in capital assets | 1,896,841 |
| Unrestricted | <u>(1,034,711)</u> |
| Total net position | <u>862,130</u> |
| Total liabilities and net position | <u>\$ 1,970,864</u> |

NEW JERSEY PUBLIC BROADCASTING AUTHORITY

STATEMENT OF SUPPORT, REVENUES AND EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2013

Support and revenues

| | |
|---|-------------------|
| New Jersey State support (direct) | \$ 1,885,535 |
| New Jersey State support (in-kind) | 2,129,822 |
| New Jersey Public Broadcasting Authority Trust Fund support | 251,276 |
| Corporation for Public Broadcasting grants | 3,139,397 |
| Tower rentals | 2,830,985 |
| Food Network contract revenue | 400,000 |
| Royalties | 148,458 |
| Radio facility lease revenue | <u>11,673</u> |
| Total support and revenues | <u>10,797,146</u> |

Expenses

| | |
|----------------------------|-------------------|
| Programming and production | 6,351,239 |
| Broadcasting | 3,738,753 |
| General and administrative | <u>1,090,360</u> |
| Total expenses | <u>11,180,352</u> |

Change in net position, before transfer (383,206)

Transfer to State of New Jersey 852,787

Change in net position, after transfer (1,235,993)

Net position, beginning of year 2,098,123

Net position, end of year \$ 862,130

NEW JERSEY PUBLIC BROADCASTING AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2013

| | |
|--|--------------------------|
| Cash Flows from Operating Activities | |
| Receipts from customers | \$ 11,610,096 |
| Payments to suppliers and employees | <u>(10,825,341)</u> |
| Net cash from operating activities | <u>784,755</u> |
| Cash Flows from Non Capital Financing Activities | |
| Transfer to State of New Jersey | <u>(852,787)</u> |
| Cash Flow from Capital and Related Financing Activities | |
| Purchase and sales of capital assets, net | <u>68,032</u> |
| Net decrease in cash and cash equivalents | - |
| Cash and cash equivalents, beginning of year | <u>-</u> |
| Cash and cash equivalents, end of year | <u><u>\$ -</u></u> |
| Reconciliation of Change in Net Assets before Transfer, Net Cash from Operating Activities | |
| Change in net assets | \$ (383,206) |
| Adjustments | |
| Bad debts | 58,028 |
| Depreciation | 666,280 |
| Change in assets and liabilities | |
| Accounts receivable | 587,421 |
| Accounts payable and accrued expenses | (311,268) |
| Unearned revenue | <u>167,500</u> |
| Net cash from operating activities | <u><u>\$ 784,755</u></u> |

NEW JERSEY PUBLIC BROADCASTING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

A. NATURE OF ORGANIZATION

The New Jersey Public Broadcasting Authority (the "Authority") located in Trenton, New Jersey is an independent Authority in, but not of, the Department of Treasury of the State of New Jersey. The Authority was established in 1968 under the New Jersey Public Broadcasting Act of 1968.

The Authority is the Federal Communications Commission's ("FCC") licensee for seven television broadcasting stations throughout New Jersey.

Effective July 1, 2011, the Authority entered into a programming and services agreement with Public Media NJ, Inc. ("PMNJ"), a New Jersey non-profit corporation, to provide public television programming and services on the stations under the name of NJTV and online at NJTVonline.org. The Authority is responsible to ensure that PMNJ provides high quality non-commercial programming that serves the needs and interests of the citizens of New Jersey and furthers the Authority's educational objectives.

The programming includes a weekday nightly news and public affairs program, live broadcast of New Jersey State annual budget messages and live coverage of New Jersey elections as well as other cultural, educational and inspirational programming.

The New Jersey Public Broadcasting Authority Trust Fund was created by the State of New Jersey ("State") as a restricted, nonlapsing revolving fund managed by the State for the benefit of the Authority as the entity selected to operate the Public Broadcasting System serving New Jersey. The Trust Fund is a separate legal entity which are fiduciary assets of the State.

B. SUMMARY OF ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Authority have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

In its accounting and financial reporting, the Authority follows the pronouncements of the Government Accounting Standards Board ("GASB") and other entities that promulgate accounting principles according to a hierarchy of sources of accounting principles. The hierarchy is as follows: GASB Statements and Interpretations; GASB Technical Bulletins; American Institute of Certified Public Accountants ("AICPA") Industry Audit and Accounting Guides and AICPA Statements of Position, if applicable and cleared by GASB; AICPA Practice Bulletins, if applicable and cleared by GASB; Implementation Guides published by the GASB; AICPA pronouncements that are not specifically applicable to state and governmental entities; Financial Accounting Standards Board ("FASB") Statements and Interpretations; and Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure (issued on or before November 30, 1989). The Authority has elected not to follow FASB pronouncements issued after November 30, 1989. The Authority follows the hierarchy in determining accounting treatment.

NEW JERSEY PUBLIC BROADCASTING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

The change in net assets is charged with an allowance for estimated uncollectible amounts based on past experience and an analysis of current accounts receivable collectibility. Accounts deemed uncollectible are charged to the allowance in the years they are deemed uncollectible.

Revenue Recognition

Corporate Public Broadcasting grants and the State of New Jersey Appropriations are recognized as revenue when spent.

The Authority receives tower rental income, which is recognized based on the terms of lease occupancy agreements.

The Food Network contract revenue is recognized once the programming service is distributed on the cable network system.

The New Jersey Public Broadcasting Authority Trust Fund support is recognized when the trust funds are spent.

In-kind Contributions

The Authority records the value of in-kind services received from the State of New Jersey for FICA, fringe benefits and fixed occupancy/operating costs of the broadcasting building as revenue and expense when the in-kind contribution is both budget-relieving and relates to events and operations under the Authority's control.

Capital Assets

Transmission antenna and towers, studio and other equipment, and furniture and fixtures are recorded at cost, except for donated items, which are recorded at their fair values on the dates of donation, except for buildings (see Note D). The Authority capitalizes capital assets with a cost of \$20,000 or more and a useful life of greater than three years. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

| | |
|---------------------------------|------------|
| Transmission antenna and towers | 7-20 years |
| Studio and other equipment | 5-10 years |
| Furniture and fixtures | 5-10 years |

Repairs and maintenance which do not extend the useful lives of the related assets are expensed as incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NEW JERSEY PUBLIC BROADCASTING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

B. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Authority, as a New Jersey State agency, is exempt from all federal and state income taxes.

Functional Allocation of Expenses

The costs of providing programming, broadcasting and support services for the Authority have been summarized on a functional basis in the statement of support, revenues and expenses, and changes in net assets. Accordingly, certain operating costs have been allocated among functional categories.

C. ACCOUNTS RECEIVABLE

Accounts receivable for the year ended June 30, 2013, are as follows:

| | |
|---|------------------|
| Tower rentals | \$ 96,855 |
| Federal emergency management assistance | 40,184 |
| New Jersey Division of Law | <u>527</u> |
| Subtotal | 137,566 |
| Allowance for doubtful accounts | <u>(63,543)</u> |
| Total | <u>\$ 74,023</u> |

D. CAPITAL ASSETS

Capital assets for the year ended June 30, 2013, is as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Disposals</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|-------------------|---------------------------|
| Transmission antenna and towers | \$ 8,758,296 | \$ 129,076 | \$ 701,204 | \$ 8,186,168 |
| Construction in progress-tower painting | <u>-</u> | <u>7,600</u> | <u>-</u> | <u>7,600</u> |
| Totals at historical cost | <u>8,758,296</u> | <u>136,676</u> | <u>701,204</u> | <u>8,193,768</u> |
| Less accumulated Depreciation for: | | | | |
| Transmission antenna and towers | <u>6,127,143</u> | <u>666,280</u> | <u>496,496</u> | <u>6,296,927</u> |
| Total accumulated depreciation | <u>6,127,143</u> | <u>666,280</u> | <u>496,496</u> | <u>6,296,927</u> |
| Total capital assets | <u>\$ 2,631,153</u> | <u>\$ (529,604)</u> | <u>\$ 204,708</u> | <u>\$ 1,896,841</u> |

Depreciation for the year ended June 30, 2013 amounted to \$666,280. During the year ended June 30, 2013, capital assets related to studio equipment were disposed through State of New Jersey auctions as well as transferred to other State Agencies.

The Authority occupies a building and uses equipment in Trenton, New Jersey to which the State of New Jersey holds title. Occupancy and equipment use values to determine in-kind support amounts have been calculated using the annual depreciation expense for the equipment calculated on acquisition cost over the estimated useful lives of 39 and 10 years, respectively. For the year ended June 30, 2013, the value has been estimated at \$1,956,975 (see Note J).

NEW JERSEY PUBLIC BROADCASTING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

E. CONCENTRATIONS, RISK AND UNCERTAINTIES

The Authority is a state agency and, for the year ended June 30, 2013, received a significant portion of its revenue and support, aggregating \$4,015,357 from the State of New Jersey, including donated services for administrative support and occupancy costs (see Note J). The ongoing support from the State of New Jersey is subject to State of New Jersey appropriations.

Revenues received from the New Jersey state entities and expenditures made by the Authority may be subject to financial compliance requirements and audit by various federal and State of New Jersey offices. In addition, State of New Jersey appropriations can change based on governmental determinations not within management's control.

The Authority received 61% or \$1,628,420 of its tower rental revenue from Clearwire Spectrum Holdings LLC ("Clearwire") during the year ended June 30, 2013.

F. OPERATING LEASES

The Authority is the lessor of excess digital channel capacity under two operating leases with Clearwire expiring in 2040.

The Authority is also the lessor of tower rental space of antennas from various broadcasters, communication service companies, and federal agencies under operating leases expiring in various years through 2020. Rent is determined annually based on the number of antennas and related equipment installed on the State owned towers. The tower property used to generate tower rental income is included in capital assets; rental income is recorded in the statement of support, revenues and expenses, and changes in net assets as tower rentals.

G. COMMITMENTS AND CONTINGENCIES

On July 1, 2011, the Authority entered into a programming and services agreement with PMNJ for the broadcast and delivery of New Jersey centric programming for a term of five years with an automatic renewal for two additional five year terms. The Authority has also entered into an equipment use agreement with PMNJ for the use of certain Authority equipment by PMNJ in the performance of the programming and services agreement. The equipment use agreement will expire upon termination of the programming and services agreement.

H. PENSION PLAN

Under a memorandum of understanding between the Authority and the State of New Jersey, Department of Treasury, ("Treasury"), Treasury supplies state employees to serve Authority needs. As such, they participate in the state retirement plan. The Authority has no liability for unfunded plan benefits.

As a condition of employment, all full-time employees are required to be members of Public Employees' Retirement System ("PERS"). A member may retire on a service retirement allowance as early as age 60; no minimum service is required. The formula for benefits is an annual allowance in the amount equal to years of service, divided by 55, times the final average salary. For employees hired after July 1, 2008, the formula changes and their years of service is divided by 62, times the final average salary. Final average salary means the average of the

NEW JERSEY PUBLIC BROADCASTING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

H. PENSION PLAN (CONTINUED)

salaries received by the member for the last three years of creditable membership service preceding retirement or the highest three fiscal years of membership service, whichever provides the largest benefit. Pension benefits fully vest on reaching 10 years of service. Vested employees who have established 25 years or more of creditable service may retire without penalty at or after age 55 and receive full retirement benefits. PERS also provides death and disability benefits. Benefits are established by New Jersey State statute.

Covered employees are required by PERS to contribute 6.5% of their salaries. The State of New Jersey is required under statute to contribute the remaining amounts necessary to pay benefits when due. The amount of the contribution is certified each year by PERS on the recommendation of the actuary, who makes an annual actuarial valuation. The valuation is based on a determination of the financial condition of the retirement system. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary and interest.

I. POST-RETIREMENT BENEFITS OTHER THAN PENSION

Employees designated to serve the needs of the Authority are members of the State of New Jersey's cost sharing multiple-employer plan for health and post-retirement medical benefits. Thus, the Authority's portion of this liability and cost is included in the State of New Jersey's Comprehensive Annual Financial Report ("CAFR"), on an annual basis.

As such, the liability to the employees' is covered under the New Jersey State plan.

Please refer to the New Jersey State website www.state.nj.us for more information regarding the plan.

J. CONTRIBUTED SERVICES AND FACILITIES

For the year ended June 30, 2013, the Authority received donated services from the State of New Jersey of \$172,847 for administrative support and \$1,956,975 for occupancy and equipment costs (see Note D).

SUPPLEMENTARY INFORMATION

NEW JERSEY PUBLIC BROADCASTING AUTHORITY

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended June 30, 2013

| | <u>Program Services</u> | | | |
|--------------------------------------|---------------------------------------|---------------------|---------------------------------------|---------------------|
| | <u>Programming and Production</u> | <u>Broadcasting</u> | <u>General and Administrative</u> | <u>Total</u> |
| | \$ | \$ | \$ | \$ |
| Salaries and wages | - | 221,114 | 229,974 | 451,088 |
| Benefits and payroll taxes (in-kind) | - | 77,782 | 95,065 | 172,847 |
| Vehicles/utilities | - | 411,771 | - | 411,771 |
| Travel and conference | - | 322 | - | 322 |
| Telephone/postage/office | - | 10,434 | 188,757 | 199,191 |
| Occupancy (in-kind) | - | 1,456,664 | 500,311 | 1,956,975 |
| Information systems/OTIS | - | 24,820 | 23,347 | 48,167 |
| Professional services | - | 348,304 | 52,906 | 401,210 |
| Programming and operating services | 6,351,239 | - | - | 6,351,239 |
| Maintenance, grounds and equipment | - | 258,526 | - | 258,526 |
| Disposal of assets at auction | - | 204,708 | - | 204,708 |
| Depreciation | - | 666,280 | - | 666,280 |
| Bad debt expense | - | 58,028 | - | 58,028 |
| Totals, year ended June 30, 2013 | <u>\$ 6,351,239</u> | <u>\$ 3,738,753</u> | <u>\$ 1,090,360</u> | <u>\$11,180,352</u> |

See notes to financial statements.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of the
New Jersey Public Broadcasting Authority

We have audited the financial statements of New Jersey Public Broadcasting Authority (the "Authority") as of and for the year ended June 30, 2013, and have issued our report thereon dated December 18, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

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* NEW YORK SOCIETY OF
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* PENNSYLVANIA INSTITUTE OF
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS (Continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Authority in a separate letter dated December 18, 2013.

This report is intended solely for the information and use of management, the Board Members, the audit committee, others within the Authority, and the State of New Jersey and is not intended to be and should not be used by anyone other than these specified parties.

Mercadon, P.C.
Certified Public Accountants

December 18, 2013